



UP IN THE AIR: OIL & GAS OPERATIONS IN A COMPLEX & UNCERTAIN REGULATORY ENVIRONMENT

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Introduction and Overview

- Uinta Basin has broad resource values
 - Agriculture
 - Archeology
 - Mining and Minerals
 - Oil and Gas
 - Power Generation
 - Recreation
 - Tourism
 - Tribal lands
 - Water resources
 - Wildlife resources

Uinta Basin's Economic and Employment Picture is Closely Tied to Oil and Gas Production

- Created more than \$8.8 billion in annual income for the region
- Uintah and Duchesne counties lead the state in job growth
- Each oil and gas well drilled produces \$6 million + in economic activity and 27 jobs with an average income of \$57,418
- 20,000 new wells proposed have potential for more than \$120 billion and more than 540,000 direct and indirect jobs.

• Utah Business Magazine, Nov. 1, 2012

Uinta Basin Air Issues Affecting the Oil and Gas Industry

- Regulatory Expansion

- Clean Air Act – New Federal Regulations
 - NSPS OOOO
 - Indian Country Minor Source Rule

- Over-lapping Jurisdictions

- Federal
 - BLM
 - NEPA Requirements
 - Conformity
- State
 - Regulatory Agency for State Airshed, including federal lands
 - Subject to federal oversight for CAA regulations
- Tribal
 - Tribes
 - Sovereignty – Tribal Lands are not the same as Public Lands
 - Trust relationship with federal government
 - Possibility and high hurdles for tribal primacy over air issues
 - EPA
 - Regulatory agency for Indian Country, including state and federal lands
 - Must consult with Tribes and cooperate with State

- High Episodic Ozone

- Potential for nonattainment designation and increased regulation of all sources in the Basin
- Climatic conditions drive certain episodic events
- Causes and solutions still not well understood

Concerns for Regulating Ozone in the Basin

- Tribal involvement – great possibilities; challenging political, legal and process issues; tribal values
- Commitment of oil and gas operators to environmentally sound exploration and production
- Proactive regulation that results in ineffective, duplicative, conflicting, or unequal requirements
- Different requirements from different agencies resulting in fractured regulation within the Basin
- Accuracy of data supporting decisions and driving technology choices
- Can Uinta Basin ozone problem realistically be addressed through even the strictest regulation of oil and gas emissions, given its meteorological nature?

Hurdles that May Require More than Partnership

- Incongruities of CAA for oil and gas industry

- Rural location of many sources
- Number and remoteness of sources
- Declining emission levels that can be predicted and planned for
- Emission differences between sources depending upon geographic location of field and chemical makeup of hydrocarbons
- Complexity of regulations overburden small operators

- Data Quality

- Actions often taken based on incomplete “best available data”
- Inaccurate or incomplete data can cause unnecessary hardship for industry
- Bad data create mistrust of regulators and ineffective solutions

Two Possible Working Realities

- Conflict Resolution – conflict-driven resolution
 - Formal negotiation
 - Administrative remedies
 - Courts/litigation
 - Citizen suits
- Partnership and Cooperation – solution-driven resolution
 - Find pollution control requirements that actually reduce the pollution problem
 - Hear from stakeholders before rules are set in stone
 - Found regulations on realistic data
 - Reduce unfeasible or burdensome requirements with little benefit
 - Balance pollution control with responsible economic development
 - Develop creative solutions

Closing Thoughts

- Lessons Learned

- Start from clear understanding of boundaries the partnership will work within
- Take time to listen to and involve all sides
- Education about technical realities is vital
- Stay focused on issue being addressed
- Look outside the legal and technology boxes and encourage innovation
- Differences between all parties are not insurmountable

- Paths Forward

